

ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

CHAPTER 16. GIFTS AND BEQUESTSSection 1.0 General

This chapter sets forth the principles and standards pertaining to the receipt and use of gifts and bequests (donations) made to the Department of Commerce. The General Accounting Office defines donations as "nonreciprocal transfers of assets or services from state, local, or foreign governments; individuals; or others not considered a related party to the Federal Government." Royalties and honoraria are not gifts and bequests. An employee may not accept, on behalf of himself/herself or the Department, any royalty or honorarium resulting from work-related activities. Therefore, acceptance of gifts or bequests by an employee in his/her personal name and subsequently endorsing the check or writing a check to the Department is a departure from the Department's policy regarding Gifts and Bequests. Questions on the acceptance of royalties, honoraria, or other earnings should be referred to the Office of General Counsel.

Gifts and Bequests (G&B) are classified as trust fund accounts. G&B are similar to appropriations in that as they are used, they are a financing source for the Department's operations. As such, donations should be reflected in full on the Department's accounting records and financial statements.

Although contributions to bureaus under the authority of the Mutual Educational and Cultural Exchange Act of 1961, ' 105(f), (22 U.S.C ' 2455(f)) are not considered gifts and donations, bureaus may use this chapter as guidance in accounting for those contributions.

Section 2.0 Authority

The policies and procedures contained in this chapter are issued pursuant to:

- a. [15 U.S.C. ' 1522](#);

- b. GAO Policies and Procedures Manual for Guidance of Federal Agencies, Title 2, Section E20;
- c. GSA, Federal Travel Regulations, 41 CFR Parts 301-1 and 304-1;
- d. Department Administrative Order (DAO) 203-9, "Gifts and Bequests;"
- e. DAO 203-10, "Official Entertainment and Representation Authorization;" and
- f. DAO 202-739, "Gifts and Decorations from Foreign Governments and to Foreign Individuals."

Section 3.0 Responsibilities

- .01 The Bureau Administrative Officer, or Designee, and/or Gifts and Bequests Manager (as designated by DAO 203-9) shall ensure that:
 - a. An internal operating manual is developed and maintained for gifts and bequests;
 - b. A system of administrative controls exists for Gifts and Bequests Funds. Budgetary resources available for obligation are limited to the amount of receipts credited to the Gifts and Bequests account. Therefore, in order to avoid a deficiency violation for Gifts and Bequests, the account manager should make a determination for each proposed obligation whether:
 - 1. The obligation will be covered by the existing fund balance for gifts and bequests;
 - 2. A collection will have to be made in advance to cover it; or
 - 3. The obligation should be charged to another appropriation, if it properly supports the mission of that appropriation, such as for

travel to give a speech or otherwise represent the Department; (The obligation may be transferred to the Gifts and Bequests account once a matching collection has been received.)

- c. Documentation supporting the value of gifts received, including services in-kind, is collected and maintained. This includes those gifts of less than \$250 not reported to the Office of the General Counsel. All gifts should also be recorded in a log and given a control number. Each gift shall be documented on a CD-210, Record of Gift or Bequest. The dollar amount recorded on a CD-210 shall represent the value of the assets or services actually received. Gifts and decorations from a foreign government, as defined by DAO 202-739, must be reported on Form CD-342, "Record of Gifts and Decorations from Foreign Governments;"
- d. Documentation supporting the value of expenses incurred is collected and maintained. Expenses should also be recorded in a log and should be matched to, or cite the control number of, a related donation. The travel voucher shall document the approved payment of Gifts and Bequests funds for travel. An authorized Form CD-464, "Request for Authorization for Official Entertainment" or equivalent documentation shall also be maintained for each non-travel expenditure;
- e. An inventory of capitalized and accountable donated property is maintained;
- f. A physical count of donated property is taken at least annually and the count is independently verified;
- g. Donated property inventory records are updated when an item is excessed to GSA;

- h. Information is collected on all gift and bequest donations (monetary receipts, other assets, or services), expenses, and property dispositions, and forwarded to the bureau finance office at least monthly; and
- i. The information forwarded to the finance office supports period-end cutoff entries. This would include:
 - 1. Expenses incurred for which a gift reimbursement has not been received;
 - 2. Donations received for which offsetting expenditures have not been made;
 - 3. Donations of assets, such as airline tickets, received for services yet to be performed; and
 - 4. Promises of a gift for services yet to be performed.

.02 The Bureau Finance Officer shall ensure that:

- a. A separate set of general and subsidiary ledgers is maintained for the assets, liabilities, net worth, revenues, expenses, and budgetary and statistical accounts of gifts and bequests activity. This will allow for a trial balance which can be sent to the Office of Financial Services (see paragraph d. below) and will prevent gifts and bequests activity from being reflected in the bureau's financial statement. See Internal Controls, Chapter 6, Section 6.0 for specific standards on documentation and recording transactions and events;
- b. Information on all gifts is properly recorded in the accounting records;
- c. The annual inventory count of donated property is verified; and

- d. A copy of the pre-closing trial balance as of fiscal year-end is submitted to the Office of the Secretary, Office of Financial Services to support preparation of the Gifts and Bequests consolidated financial statements. The ledgers should be sufficiently detailed to support all required notes to the statements, including Program or Operating Expenses by object classification and program. Otherwise, supplementing information and any bureau-unique disclosures for footnotes should also be included.

Section 4.0 Funds Received

- a. **Donations made to the Department which match expenses incurred, such as for employee travel, are not refunds and do not negate the requirement to record a revenue and a budgetary resource.** Instead, the amount of the donation shall be recorded in full and the expense recorded separately. This allows the full value of funds received and expenses incurred to be reflected on the Statement of Changes in Net Position, Statement of Financing, and the SF-133, Report on Budget Execution/FACTS II.
- b. An unconditional gift of funds (i.e., no matching expense is expected to be incurred) is recorded as a debit to Fund Balance with Treasury and a credit to Donated Revenue. If a gift is received for a service yet to be performed, Deferred Credits (Unearned Revenue) should be credited instead.
- c. The receipt of a monetary gift is also a budgetary resource which must be recognized. Since these funds are not subject to apportionment, they should be recorded with a budgetary entry debiting Other Appropriations Realized and crediting Other Funds Available.

Section 5.0 Services In-Kind

- a. Services provided to the Department generally shall be valued at the donor's cost. For specific circumstances, refer to GSA's travel gift valuation rules (41 CFR ' 304-1.9(a)). Documentation supporting the donor's cost (such as receipts, bills, or letters) should be maintained.
- b. Donations of services in-kind shall be recorded as a debit to Operating Expenses/Program Costs and a credit to Donated Revenue. No budgetary entry is made.
- c. The amount of expenses in-kind shall be reported as Costs not Assigned to Programs in the Statement of Net Cost.

Section 6.0 Other Assets Received

- a. Donated fixed assets shall be accounted for at the estimated fair market value on the date of acquisition.
- b. Donations of assets which meet capitalization criteria shall be debited to the appropriate asset account and credited to Donated Revenue.
- c. Donations of physical assets which do not meet capitalization criteria shall be recorded as a debit for Operating Expenses/Program Costs and a credit shall be made to Donated Revenue. Items of more than a "nominal" value but less than \$5,000 are still accountable, however, and should be controlled through the bureau log of gifts and bequests.
- d. No budgetary ledger entries are made to account for donations of non-monetary assets.

Section 7.0 Obligations and Expenses Incurred

- a. An undelivered order established in Gifts and Bequests funds shall be recorded as a debit to Other Funds Available and a credit to Undelivered Orders. No proprietary entry is made.
- b. Expenses incurred shall be recorded with a debit to Operating Expenses/Program Costs and a credit to Fund Balance with Treasury or Accounts Payable and a second entry which:
 - 1. Debits Deferred Credits and credits Donated Revenue, if a matching collection has been received previously; or
 - 2. Debits Accounts Receivable and credits Donated Revenue, if a matching collection has been promised by a donor.

The budgetary entry debits Undelivered Orders and credits Expended Appropriations in all three cases above.

- c. Depreciation expense taken on capitalized donated assets shall be reflected with debits to Operating Expenses/Program Costs, and credits to the Accumulated Depreciation account of the asset and Donated Revenue. No budgetary entry is made.

Depreciation will be reported on the Statement of Financing as Costs That Do Not Require Resources, since it is not an expense requiring a cash payment. Depreciation is also an adjustment subtracted from Total Expenses to reconcile to Accrued Expenditures on the Statement of Budget and Actual Expenses.

Section 8.0 Transfers Between Bureaus

Upon the transfer of Gifts and Bequests funds to another bureau, the equity account Transfers-Out to Others Without Reimbursement shall be debited in the amount of the transfer

and Fund Balance with Treasury credited. The budgetary entry shall be a debit to Other Funds Available and credit to Appropriation Transfers. The budgetary transaction will be reversed for the transfer of funds from another bureau. In this case, the proprietary entry is to debit Fund Balance with Treasury and credit Transfers-In from Others Without Reimbursement. All transfers are to be treated as non-operating changes on the Statement of Changes in Net Position and as cash flows from financing activities on the Statement of Financing.

Section 9.0 Year-End Cutoff Entries

At year-end, finance offices should ensure that entries are made to reflect the proper accounting status of transactions, specifically in the following situations:

- a. Where a promise of a gift has been received for expenses yet to be incurred, Accounts Receivable shall be debited and Deferred Credits credited.
(Once the collection is made, Fund Balance with Treasury would be debited and Accounts Receivable would be credited. Other Appropriations Realized would be debited and Other Funds Available would be credited as the budgetary entry. Once the expense is incurred, Deferred Credits would be debited and Donated Revenue would be credited; Operating Expenses/Program Costs would be debited and Fund Balance with Treasury or Accounts Payable would be credited. Other Funds Available would be debited and Expended Appropriations would be credited as the budgetary entry.)
- b. Where a promise of a gift has been received and an expense has been incurred, Operating Expenses/Program Costs shall be debited and Accounts Payable or Fund Balance with Treasury credited; and Accounts Receivable shall be debited and Donated Revenue shall be credited. Budgetary account Other Funds Available shall be debited and Expended Appropriations credited to recognize the expenditure. Such expenses should

only be incurred where they are covered by existing fund balances. (Once the collection is received, Fund Balance with Treasury is debited and Accounts Receivable is credited. Other Appropriations Realized will be debited and Other Funds Available will be credited as the budgetary entry.)

- c. Where funds have been received for a future expense, Fund Balance with Treasury shall be debited and Deferred Credits shall be credited. The budgetary entry is to debit Other Appropriations Realized and to credit Other Funds Available. (Once the expense is incurred, Operating Expenses/Program Costs would be debited and Accounts Payable or Fund Balance with Treasury would be credited, Deferred Credits would be debited and Donated Revenue would be credited. The budgetary entry would be Other Funds Available debited and Expended Appropriations credited.)
- d. Where an asset, such as an airline ticket, has been received from a donor, but has not been used at period end, Other Assets (the airline ticket) shall be debited and Deferred Credits (deferred revenue) shall be credited. (Once the asset is used or consumed, Operating Expenses/Program Costs and Deferred Credits would be debited and Other Assets and Donated Revenue would be credited.)

Section 10.0 Support for Report on Budget Execution

Budgetary accounts from the above transactions support the SF-133 (Report on Budget Execution)/FACTS II as follows:

- a. Other Appropriations Realized represents the total of the fiscal year's collections available for obligation year to date and supports line 1A, Appropriations Realized;

- b. Other Funds Available, balance as of October 1, represents the unobligated balance brought forward from the prior fiscal year and supports line 2A, Balance Brought Forward;
- c. Appropriation Transfers represents the net balance of transfers to and from the entity and supports line 2B, Net Transfers;
- d. Other Funds Available represents the current unobligated balance and supports line 9C, Other Balances Available;
- e. The net change in Undelivered Orders, from the beginning of the fiscal year, and Expended Appropriations together will add to support line 12, Obligations Incurred, Net;
- f. Line 13C, Obligated Balance, End of Period is supported by the total of all Undelivered Orders, Accounts Payable, and other liabilities, less Accounts Receivable, net, and any other advances and prepayments;
- g. Line 15C, Accounts Payable, Net, End of Period is supported by the total of all Accounts Payable and other liabilities, less Accounts Receivable, net, and any other advances and prepayments; and
- h. Expended Appropriations represents the year to date total of budgetary resources expended and supports line 16, Accrued Expenditures.

Section 11.0 Closing Entries

- a. At year-end, budgetary accounts Other Appropriations Realized, Appropriation Transfers, and Expended Appropriations are closed to Total Actual Resources. Total Actual Resources, a debit account, should be balanced

by credit accounts Other Funds Available and any Undelivered Orders.

The new balance of Total Actual Resources is brought forward and carried through the next fiscal year.

- b. Proprietary accounts Donated Revenues and Operating Expenses/Program Costs shall be closed to Cumulative Results of Operations.

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

1. To record collections from donation which have been deposited into Treasury's miscellaneous receipt accounts and now are being transferred to the Trust Fund - Gifts and Bequests.

Notes: P) Proprietary entries B) Budgetary entries

Unconditional gifts

P) Dr 1010 Fund Balance with Treasury
Cr 5600 Donated Revenue-Financial Resources
Cr Or 5610 Donated Revenue-Non-financial Resources

B) Dr 4119 Other Appropriations Realized
Cr 4620 Other Fds Avail for Comm/Obligation

Gifts to be received for service yet to be performed

P) Dr 1010 Fund Balance with Treasury
Cr 2320 Deferred Credits

B) Dr 4119 Other Appropriations Realized
Cr 4620 Other Fds Avail for Comm/Obligation

Donations of Service in kind

P) Dr 6100 Operating/Program Costs
Cr 5610 Donated Revenue-Non-financial Resources

B) Dr 4119 Other Appropriations Realized
Cr 4620 Other Fds Avail for Comm/Obligation

Donations of Assets which meet capitalization criteria

P) Dr 17XX Assets
Cr 5610 Donated Revenue-Non-financial Resources

B) Dr 4119 Other Appropriations Realized
Cr 4620 Other Fds Avail for Comm/Obligation

Donations of physical assets which do not meet capitalization criteria

P) Dr 6100 Operating/Program Costs
Cr 5600 Donated Revenue-Non-financial Resources

B) Dr 4119 Other Appropriations Realized
Cr 4620 Other Fds Avail for Comm/Obligation

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

2. To establish an undelivered order		
P)	No proprietary entry	
B)	Dr 4620	Other Fds Avail for Oblig
	Cr	48XX Undelivered Orders
3. To record expenses incurred		
No matching collection, undelivered order previously established		
P)	Dr 6100	Operating Expenses/Program Costs
	Cr	1010 Fund Balance with Treasury
	Cr	2110 Accounts Payable
B)	Dr 48XX	Undelivered Orders
	Cr	49XX Expended Authority
Matching collection previous recorded		
P1)	Dr 6100	Operating Expenses/Program Costs
	Cr	1010 Fund Balance with Treasury
	Cr	2110 Accounts Payable
P2)	Dr 2320	Deferred Credits
	Cr	56XX Donated Revenues
B)	Dr 48XX	Undelivered Orders
	Cr	49XX Expended Authority
Matching collection promised but not received and recorded		
P1)	Dr 6100	Operating Expenses/Program Costs
	Cr	1010 Fund Balance With Treasury/OR
	Cr	2110 Accounts Payable
P2)	Dr 1310	Account Receivable
	Cr	56XX Donated Revenue
B)	Dr 48XX	Undelivered Orders
	Cr	49XX Expended Authority
4. To record depreciation taken on capitalized assets		
P1)	Dr 6100	Operating Expenses/Program Costs
	Cr	1XX9 Accumulated Depreciation
B)	No budget entry	

* Amounts to be eliminated within the trust fund entity prior to FACTS ATB submission

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

5. To record transfers-out to another bureau

P) Dr	5730	Financing Sources Transferred Out Without Reimbursement
Cr	1010	Fund Balance with Treasury
B) Dr	4620	Other Funds Available
Cr	4170	Transfers - Current-Year Authority/OR
Cr	4175	Allocations Transfers

6. To record non-expenditure transfers-in to corpus account from another bureau

P) Dr	1010	Fund Balance with Treasury
Cr	5720	Financing Sources Transferred In
B) Dr	4170	Transfers - Current-Year Authority /OR
Dr	4175	Allocation Transfers
Cr	4620	Other Fds Avail for Comm/Obligation

YEAR END CUT-OFF ENTRIES

A. Where promise of a gift (monetary) has been received for expenses yet to be incurred

P) Dr	1310	Accounts Receivable
Cr	2320	Deferred Credits

A1. When collection is made in the following period

P) Dr	1010	Fund Balance with Treasury
Cr	1310	Accounts Receivable
B) Dr	4119	Other Appropriations Realized
Cr	4620	Other Fds Avail for Comm/Obligation

A2. When expense is incurred in the following period

P1) Dr	2320	Deferred Credits
Cr	5600	Donated Revenue-Financial Resources
P2) Dr	6100	Operating Expenses/Program Costs
Cr	1010	Fund Balance with Treasury/OR
Cr	2110	Accounts Payable
B) Dr	4620	Other Fds Avail for Comm/Obligation

* Amounts to be eliminated within the trust fund entity prior to FACTS ATB submission

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

Cr	49XX	Expended Authority
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* Amounts to be eliminated within the trust fund entity prior to FACTS ATB submission

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

B. When a promise of a gift (monetary) has been received and an expense incurred.

P1) Dr 1310 Accounts Receivable
 Cr 5600 Donated revenue-Financial Resources

P2) Dr 6100 Operating Expenses/Program Costs
 Cr 1010 Fund Balance with Treasury /OR
 Cr 2110 Accounts Payable

B1. When collection is made in the following period

P) Dr 1010 Fund Balance with Treasury
 Cr 1310 Accounts Receivable

B) Dr 4119 Other Appropriations Realized
 Cr 4620 Other Fds Avail for Comm/Obligation

C. When Funds have been received for a future expense

P) Dr 1010 Fund Balance with Treasury
 Cr 2320 Deferred Credits

B) Dr 4119 Other Appropriations Realized
 Cr 4620 Other Fds Avail for Comm/Obligation

C1. Once the expense is incurred in the following period

P1) Dr 2320 Deferred Credits
 Cr 5600 Donated revenue-Financial Resources

P2) Dr 6100 Operating Expenses/Program Costs
 Cr 1010 Fund Balance with Treasury /OR
 Cr 2110 Accounts Payable

B) Dr 4620 Other Fds Avail for Comm/Obligation
 Cr 49XX Expended Authority

* Amounts to be eliminated within the trust fund entity prior to FACTS ATB submission

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

D. When an asset, such as an airline ticket, has been received from a donor, but has not been used at period end

P) Dr 1990 Other Assets
Cr 2320 Deferred Credits

B) No budgetary entry

D1. Once the asset is used or consumed in the following period

P1) Dr 2320 Deferred Credits
Cr 5600 Donated revenue-Financial Resources

P2) Dr 6100 Operating Expenses/Program Costs
Cr 1990 Other Assets

B) No budgetary entry

E. Year-end Closing Entries

Proprietary

To close revenue and expenses to Cumulative Result of Operations

P1) Dr 56XX Donated revenue
Cr 3310 Cumulative Result of Operations

P2) Dr 3310 Cumulative Result of Operations
Cr 6100 Operating Expenses/Program Costs

Budgetary

To record consolidation of Actual Resources

B1) Dr 4201 Total Actual Resources
Cr 4110 Other Appropriations realized

To close Expended Authority and related adjustments. (Use adjustment accounts only in year 2 or later)

B2) Dr 4980 Upward Adjustments of Prior-Year Expended Authority
Dr/Cr 4902 Expended Authority - Paid (Debit or Credit)
Dr/Cr 4201 Total Actual Resources (Debit or Credit)
Cr 4971 Downward Adjustments of Prior-Year Expended Authority - Refunds
Cr 4979 Downward Adjustments of Prior-Year Expended Authority- Other

To close Appropriation Transfers

B3) Dr 4170 Transfers -Current Year Authority/OR
Dr 4175 Allocation Transfers
Cr 4201 Total Actual Resources

(This entry would be reversed to close out a debit balance in Appropriation Transfers)

To close adjustments to Undelivered Orders (use adjustment accounts only in Year 2 or later)

B4) Dr 4880 Upward Adjustments of Prior-year Undelivered Orders
Dr/Cr 4801 Undelivered Orders-Unpaid (Debit or Credit)

TRUST FUND CORPUS ACCOUNT - GIFTS AND BEQUESTS

Cr	4870	Downward Adjustments of Prior-year Undelivered Orders
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